

# ArBolivia Plantation Forestry

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## Executive summary



March 2011

## Main features

- Plantation forestry with smallholders on part of their land in the foothills of the Bolivian Andes.
- Variety of valuable, predominantly indigenous, timber species. Growth cycles up to 35 years.
- At least 20% of land planted to trees set aside for permanent conservation of primary and secondary forest.
- Net timber revenues split equally between smallholders and Sicirec.
- Sicirec provides project organisation, project finance and technical assistance and the participating smallholders provide land and labour.
- Smallholders get paid for the labour they put in.
- ArBolivia is novel, innovative, green, social, profitable and unique.

## Numbers

- 5,000 hectares commercial forest plantations.
- 1,000 hectares agroforestry.
- 1,200 hectares conservation of primary and secondary forests.
- Around 2,000 smallholders to be contracted.
- 1.3 million carbon credits and 4.6 million trees for tree planting subsidy for sale (total revenues USD 8.5 million to USD 20.0 million).
- USD 325 million total gross timber revenues.
- USD 100 million net revenues for all investors and supervisory management (= 50%).
- USD 100 million net revenues for smallholders (= 50%).
- Part of net revenues for supervisory management as incentive to stay involved.

## Status

- Start of project in September 2007.
- 1,000 smallholders contracted to date.
- USD 3 million invested to date.
- 1,571 hectares planted.
- First and only foreign project certified by Dutch Government as a Green Project.
- All project activities monitored and registered in a well developed database.
- High level of traceability for Carbon Credits and Tree Planting Subsidy Certificates.

## Financials

- USD 17.4 Million total project costs until break even in 2015/2016
- USD 3.0 Million already invested by other investors.
- USD 14.4 Million still to be covered before break even, from which:
  - USD 7.0 Million to be financed with (Green) Bank Loans.
  - USD 2.9 Million (conservative before break even) or more to be covered by sales of Carbon Credits, Tree Planting Subsidy Certificates, etc.
  - USD 4.5 Million or less to be covered by equity.

## Financing ArBolivia until break even in USD millions

| Scenario     | Investment | Revenues Environmental Services | (Green) Bank Loans | IRR | Investment paid back by |
|--------------|------------|---------------------------------|--------------------|-----|-------------------------|
| Conservative | 10.1       | 2.9                             | 0.0                | 10% | 2023                    |
| Likely       | 4.5        | 2.9                             | 7.0                | 16% | 2023                    |
| Optimistic   | 0.9        | 6.4                             | 6.6                | 31% | 2018                    |

## Revenues distribution

|                 | Timber | Carbon Credits etc. before break even | Carbon Credits etc. after break even |
|-----------------|--------|---------------------------------------|--------------------------------------|
| Smallholders    | 50%    | 0%                                    | 50%                                  |
| Investor        | 26%    | 75%                                   | 30%                                  |
| Other investors | 15.25% | 25%                                   | 10%                                  |
| Sicirec Bolivia | 8.75%  | 0%                                    | 10%                                  |

## Investment offer

The investor may choose between a revenue contract and shareholding. For providing a guarantee to the full amount still needed, investor receives either:

- 52% of the timber revenue rights of 50% of the timber revenues (i.e. 26%)  
or
- 75% of the common shares in Sicirec Bolivia.

Investor receives a proportional share in all project revenues, based on the guarantee amount provided, rather than what investor actually invests, which provides excellent IRR upside potential. The more finance can be raised from sales of carbon credits and tree planting subsidy certificates, the less equity will be required and the higher the IRR.

Furthermore, investor will receive:

- 100% full transparency.

A position on the board of directors of Sicirec Bolivia.

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